



**School of Economics**  
**Academic Year 2024-25 Term 1**  
**PhD in Economics**

### **ECON749 Topics in Public Policy**

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### **COURSE DESCRIPTION**

Public policy is concerned with improving economic and social welfare. It is usually the end point of many research investigations in multiple fields. Modern public policy tightly integrates theory with empirical evidence to derive quantitative predictions. This course will discuss household decision making and asymmetric information models as well as estimation and experimental methods to evaluate and design public and social policies. Practical motivation will be provided from recent demographic and economic shifts on top of discussion of seminal and recent literature.

The syllabus will address three broad policy issues:

- Population policies: Marriage and investments in children.
- Labor market policies: Education investments and labor market incentives.
- Social insurance policies: Sustaining and caring for the aged.

### **LEARNING OBJECTIVES**

At the end of the course, students should be able to

- Be familiar with a range of public policy issues.
- Apply a broad set of skills: applied theory, applied econometrics, and experiments.
- Discuss critically and be equipped for independent applied research.

### **PRE-REQUISITE/CO-REQUISITE/MUTUALLY EXCLUSIVE COURSES:**

**GRADED BASIS:** Graded

**COURSE UNIT:** 1CU

**COURSE AREA:** ART

### **ASSESSMENT METHODS**

Paper presentation from reference list	30%
Presentation of your own short paper	30%
Submission of your own short paper	40%
Total	<u>100%</u>

### **CLASS TIMINGS**

The course comprises twelve 3-hour sessions. Students will be required to present one paper from the reference list (denoted by †). Students will also be required to present and submit a short paper of their own on a selected topic at the end of the course. The short paper can be either a critical review of the literature or replication paper or a letter style paper. In preparation for the short paper, discussion will be carried out during class to facilitate student progress.

**WEEKLY LESSON PLAN**

Week No.	Topics
1	<b>Household Behavior</b> Gains and flight from marriage Policies targeting marriage
2	<b>Attractiveness and Beauty</b> Marriage and assortative mating Dating experiments and policy
3	<b>Human Capital Investments</b> Quantity-quality trade-offs Remediation policies
4	<b>Education Interventions</b> Returns to education Government intervention
5	<b>Labor Market Policies</b> Taxation and tax credit Childcare subsidies
6	<b>Optimal Taxation</b> Commodity taxation Income taxation
7	<b>Social Insurance</b> Adverse selection and moral hazard Social security crisis
8	<b>Private and Public Transfers</b> Redistributive neutrality Support for the aged
9	Presentation of paper from literature
10	Presentation of paper from literature
11	Presentation of short paper
12	No class – write up time
14	<b>Submission of short paper</b>

Note that the syllabus and schedule may vary according to students' needs.

**REFERENCE LIST**

There are no required readings for this course. Inquisitive students may explore selected readings from the reference list below (feel free to inquire if you are interested in a particular topic but are unsure where to start). Papers available for presentation are denoted by (†).

**1. Household Behavior**

Browning, Chiappori and Weiss (2014) "Chapter 2: The Gains from Marriage" in *Economics of the Family*, Cambridge University Press.

†Cortes and Pan (2022) "Children and the Remaining Gender Gaps in the Labor Market" *Journal of Economic Literature*, forthcoming.

†Greenwood and al. (2004) "Engines of Liberation", *Review of Economic Studies*, 72, 109-133.

Shenav (2021) "Lowering Standards to Wed? Spouse Quality, Marriage, and Labor Market Responses to the Gender Wage Gap", *Review of Economics and Statistics*, 103(2), 265-279.

Weiss (1997) "Chapter 3.2: The Formation and Dissolution of Families: Why Marry? Who Marries Whom? And What Happens upon Divorce?" in *Handbook of Population and Family Economics*.

**2. Attractiveness and Beauty**

Browning, Chiappori and Weiss (2014) "Chapter 7: Matching on the Marriage Market: Theory" in *Economics of the Family*, Cambridge University Press.

Egebark and al. (2021) "Brain or Beauty? Causal Evidence on the Returns to Education and Attractiveness in the Online Dating Market" *Journal of Public Economics*, 196, 1-16.

- †Greenwood and al. (2016) “Technology and the Changing Family: A Unified Model of Marriage, Divorce, Educational Attainment, and Married Female Labor-Force Participation” *American Economic Journal: Macroeconomics*, 8(1), 1-41.
- †Wei and Zhang (2011) “The Competitive Saving Motive: Evidence from Rising Sex Ratios and Savings Rates in China” *Journal of Political Economy*, 119(3): 511-564.
- †Wei and al. (2017) “Homeownership as Status Competition: Some Theory and Evidence” *Journal of Development Economics*, 127, 169-186.
- Weiss (1997) “Chapter 3.4: The Formation and Dissolution of Families: Why Marry? Who Marries Whom? And What Happens upon Divorce?” in *Handbook of Population and Family Economics*.

### 3. Human Capital Investments

- †Barcellos and al. (2014) “Child Gender and Parental Investments in India: Are Boys and Girls Treated Differently?” *American Economic Journal: Applied Economics*, 6(1): 157-189.
- †Bharadwaj and Lakdawala (2013) “Discrimination Begins in the Womb” *Journal of Human Resources*, 48(1), 71-113.
- Becker (1981) “Chapter 5: The Demand for Children” in *A Treatise on the Family*. Harvard University Press.
- †Black, Devereux and Salvanes (2005) “The More the Merrier? The Effect of Family Size and Birth Order on Children’s Education” *Quarterly Journal of Economics*, 120(2), 669-700.
- Conti (2012) “Primate Evidence on the Late Health Effects of Early-Life Adversity” *PNAS*, 109(23), 8866-8871.
- Francesconi and Heckman (2016) “Child Development and Parental Investments: Introduction” *Economic Journal*, 126(596): F1-F27.
- Ho and Myong (2021) “Chapter 9: Providing Child Care” *Routledge*.
- Hotz, Klerman and Willis (1997) “Chapter 7.3: The Economics of Fertility in Developed Countries” in *Handbook of Population and Family Economics*.

### 4. Education Interventions

- †Acemoglu and Angrist (2000) “How Large Are Human-Capital Externalities? Evidence from Compulsory Schooling Laws Author” *NBER Macroeconomics Annual*, 15, 9-59.
- Duflo (2001) “Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment” *American Economic Review*, 91(4), 795-813.
- Gruber (2016) “Chapter 11: Education” in *Public Finance and Public Policy*. Macmillan Education.
- †Havnes and Mogstad (2015) “Is Universal Child Care Levelling the Playing Field?” *Journal of Public Economics*, 127, 100-114.
- †Lochner and Moretti (2004) “The Effect of Education on Crime: Evidence from Prison Inmates, Arrests, and Self-Reports” *American Economic Review*, 94(1), 155-189.
- Mas-Colell, Whinston and Green (1995) “Chapter 13 Adverse Selection, Signaling and Screening” in *Microeconomic Theory*. Oxford University Press.
- †Schultz (2004) “School Subsidies for the Poor: Evaluating the Mexican PROGRESA Poverty Program” *Journal of Development Economics*, 74: 199-250.
- Spence (1973) “Job Market Signaling” *Quarterly Journal of Economics*, 87(3), 355-374.
- †Tyler, Murnane and Willet (2000) “Estimating the Labor Market Signaling Value of the GED” *Quarterly Journal of Economics*, 115(2), 431-468.

### 5. Labor Market Policies

- †Baker and al. (2005) “Universal Child Care, Maternal Labour Supply, and Family Well-Being” *Journal of Political Economy*, 116(4): 709-745.
- Blau (2003) “Chapter 7: Child Care Subsidy Programs” in *Means-Tested Transfer Programs in the United States*. University of Chicago Press.
- †Eissa and Hoynes (2004) “Taxes and the Labor Market Participation of Married Couples: the Earned Income Tax Credit” *Journal of Public Economic*, 88(9-10), 1935-1958.
- †Eissa and Liebman (1996) “Labor Supply Response to the Earned Income Tax Credit” *Quarterly Journal of Economics*, 111(2), 605-637.
- Gruber (2016) “Chapter 21: Taxes on Labor Supply” in *Public Finance and Public Policy*. Worth Publishers.

- Ho, C. (2015) "Welfare-to-Work Reform and Intergenerational Support: Grandmothers' Response to the 1996 PRWORA" *Journal of Marriage and Family*, 77(April), 407-423.
- Jardin and al. (2022) "Minimum-Wage Increases and Low-Wage Employment: Evidence from Seattle" *American Economic Journal: Economic Policy*, 14(2), 263-314.
- †Rupert and Zanella (2018) "Grandchildren and their Grandparents' Labor Supply" *Journal of Public Economics*, 159, 89-103.

## 6. Optimal Taxation

- †Bastani, Spencer, Sören Blomquist, and Luca Micheletto. 2020. "Child Care Subsidies, Quality, and Optimal Income Taxation" *American Economic Journal: Economic Policy*, 12(4), 1-37.
- †Ho, C. and Pavoni, N. (2020) "Efficient Child Care Subsidies". *American Economic Review*, 110(1), 162-199.
- †Kleven, Kreiner and Saez (2009) "The Optimal Income Taxation of Couples" *Econometrica*, 77(2), 537-560.
- Mas-Colell, Whinston and Green (1995) "Chapter 14 The Principal-Agent Problem" in *Microeconomic Theory*. Oxford University Press.
- Mirrlees (1971) "An Exploration of the Theory of Optimum Income Taxation" *Review of Economic Studies*, 38(2), 175-208.
- Ramsey (1927) "A Contribution to the Theory of Taxation" *Economic Journal*, 37(145), 47-61.
- †Stantcheva (2017) "Optimal Taxation and Human Capital Policies over the Life Cycle." *Journal of Political Economy*, 125(6), 1931-90.

## 7. Social Insurance

- †Bottazzi, Jappelli, and Padula (2006) "Retirement Expectations, Pension Reforms, and their Impact on Private Wealth Accumulation" *Journal of Public Economics*, 90, 2187-2212.
- Cutler and Zeckhauser (1998) "Adverse Selection in Health Insurance" in *Frontiers in Health Policy Research*. NBER.
- †Fehr and al. (2003) "Social Security Reforms and Early Retirement" *Journal of Population Economics*, 16, 345-361.
- Gruber (2016) "Chapter 12: Social Insurance: The New Function of the Government" in *Public Finance and Public Policy*. Worth Publishers.
- Hurd and Boskin (1984) "The Effect of Social Security on Retirement in the Early 1970s" *Quarterly Journal of Economics*, 99(4), 767-790.
- †Lehmann-Hasemeyer and Streb (2018) "Does Social Security Crowd Out Private Savings? The Case of Bismarck's System of Social Insurance" *European Economic Review*, 22(3), 298-321.
- Rothschild and Stiglitz (1976) "Equilibrium in Competitive Insurance Markets" *Quarterly Journal of Economics*, 90(4), 629-649.
- †Ye (2022) "The Effect of Pension Subsidies on the Retirement Timing of Older Women", *Journal of the European Economic Association*, 20(3), 1048–1094.

## 8. Private and Public Transfers

- †Antman, F. M. (2012) "Elderly Care and Intrafamily Resource Allocation When Children Migrate" *The Journal of Human Resources*, 47(2), 331-363.
- Bernheim and al. (1985) "The Strategic Bequest Motive" *Journal of Political Economy*, 93(6), 1045-1076.
- †Guo and Zhang (2020) "The Effects of Children's Gender Composition on Filial Piety and Old-Age Support" *Economic Journal*, 130, 2497-2525.
- †Jensen (2002) "Do Private Transfers 'Displace' the Benefits of Public Transfers? Evidence from South Africa" *Journal of Public Economics*, 88, 89-112.
- †Juarez (2009) "Crowding Out of Private Support to the Elderly: Evidence from a Demogrant in Mexico" *Journal of Public Economics*, 93(3-4), 454-463.
- Ho, C. (2022) "Strategic Parent Meets Detached Child? Parental Intended Bequest Division and Support from Children" *Demography*, 59(4): 1353–1376.
- Laferrere and Wolff (2006) "Chapter 13: Microeconomic Models of Family Transfers" in *Handbook of the Economics of Giving, Altruism and Reciprocity*.
- †McGarry (2016) "Dynamic Aspects of Family Transfers" *Journal of Public Economics*, 137: 1-13.

### **ACADEMIC INTEGRITY**

All acts of academic dishonesty (including, but not limited to, plagiarism, cheating, fabrication, facilitation of acts of academic dishonesty by others, unauthorized possession of exam questions, or tampering with the academic work of other students) are serious offences.

All work (whether oral or written) submitted for purposes of assessment must be the student's own work. Penalties for violation of the policy range from zero marks for the component assessment to expulsion, depending on the nature of the offense.

When in doubt, students should consult the instructors of the course. Details on the SMU Code of Academic Integrity may be accessed at <http://www.smuscd.org/resources.html>.

### **ACCESSIBILITY**

SMU strives to make learning experiences accessible for all. If students anticipate or experience physical or academic barriers due to disability, please let the instructor know immediately. Students are also welcome to contact the university's disability services team if they have questions or concerns about academic provisions: [included@smu.edu.sg](mailto:included@smu.edu.sg).

Please be aware that the accessible tables in the seminar room should remain available for students who require them.

### **DIGITAL READINESS FOR TEACHING AND LEARNING (DRTL)**

As part of emergency preparedness, instructors may conduct lessons online via the Zoom platform during the term, to prepare students for online learning. During an actual emergency, students will be notified to access the Zoom platform for their online lessons. The class schedule will mirror the current face-to-face class timetable unless otherwise stated.

### **ASSESSMENTS**

Faculty have been instructed not to reuse questions verbatim from past year papers or published test banks, for the graded continuous assessments and examinations in this course.